

Highlights of 2017

Economic and Financial Environment

The Hong Kong economy grows at a faster pace on the back of synchronised expansion of the global economy. The local stock market rallies and residential property market maintains its upward momentum, while housing affordability stretches further.

The Hong Kong banking sector remains safe and sound, with strong capital and liquidity positions and healthy asset quality.

Monetary Stability

The Hong Kong dollar eases against the US dollar as a result of the widening negative interest rate spreads between the two currencies. Nevertheless, the public remains highly confident in the Linked Exchange Rate System.

The money markets continue to operate smoothly with ample interbank liquidity. The Base Rate in Hong Kong is adjusted upwards by a total of 75 basis points to 1.75%, in tandem with the increase in the target range for the US federal funds rate.

Banking Stability

The HKMA places its supervisory focus on the effectiveness of banks' risk governance framework, including credit, liquidity and technology risk management. The eighth round of countercyclical macro-prudential measures is introduced to strengthen the resilience of the banking sector against any downturn in the property market.

On the policy side, substantial progress is made on the local implementation of international supervisory standards. The resolution regime comes into operation, establishing a new line of defence for banking stability. The Resolution Office is established as part of the HKMA's efforts to make the resolution regime operational for the Hong Kong banking sector.

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International Financial Centre

Seven new initiatives are introduced to embrace the enormous opportunities brought about by the convergence of banking and technology and to promote Hong Kong as a fintech hub in Asia. Hong Kong's international profile as a financing hub for infrastructure investments is raised further, thanks to a series of efforts on network and capacity building.

Hong Kong maintains its leading position in offshore renminbi business. The launch of the Bond Connect reinforces Hong Kong's role as the main gateway to opportunities in Mainland China.

Reserves Management

Benefiting from a favourable investment environment, the Exchange Fund achieves a record high investment income of HK\$264 billion, representing an investment return of 7.4%.

Efforts on investment diversification continue, especially through the Long-Term Growth Portfolio (LTGP). The LTGP records an annualised internal rate of return of 13.7% since its inception in 2009.

Corporate Functions

The HKMA maintains effective communication with the community and the market through the media, public education programmes, and other various channels to facilitate public understanding of its policies and operations.

The HKMA continues to improve corporate governance by supporting professional development of staff, instituting rigorous financial discipline, and enhancing IT security to cope with challenges arising from the implementation of new initiatives and the increasing complexity of work.